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INTERSTATE COMMERCE COMMISSION
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INTERSTATE COMMERCE COMMISSION

No. 6-3244-18

Date OCT 31 1978

Fee \$200.00

ICC Washington, D. C.

RECORDATION NO. 9811B Filed 1425

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INTERSTATE COMMERCE COMMISSION

October 31, 1978

9811A Filed 1425
RECORDATION NO. 9811A Filed 1425
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INTERSTATE COMMERCE COMMISSION
The Chesapeake and Ohio Railway Company
Lease Financing Dated as of October 1, 1978
9-3/8% Conditional Sale Indebtedness
Due February 15, 1987

Pursuant to Section 20c of the Interstate Commerce Act, as amended, and the Commission's rules and regulations thereunder, as amended, I enclose herewith on behalf of The Chesapeake and Ohio Railway Company, for filing and recordation, counterparts of the following:

(1) Reconstruction and Conditional Sale Agreement dated as of October 1, 1978, among Mercantile-Safe Deposit and Trust Company, The Chesapeake & Ohio Railway Company and Connell Rice & Sugar Co., Inc. (Connell Leasing Company Division);

(2) Transfer Agreement dated as of October 1, 1978, between Mercantile-Safe Deposit and Trust Company and Connell Rice & Sugar Co., Inc. (Connell Leasing Company Division);

(3) (a) Lease of Railroad Equipment dated as of October 1, 1978, between The Chesapeake and Ohio Railway Company and Connell Rice & Sugar Co., Inc. (Connell Leasing Company Division);

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(b) Assignment of Lease and Agreement dated October 1, 1978, between Connell Rice & Sugar Co., Inc. (Connell Leasing Company Division), and Mercantile-Safe Deposit and Trust Company; and

(4) Hulk Purchase Agreement dated as of October 1, 1978, between the Chesapeake and Ohio Railway Company and Connell Rice & Sugar Co., Inc. (Connell Leasing Company Division).

The addresses of parties to the aforementioned agreements are:

Owner-Lessor-Vendee-Buyer

Connell Rice & Sugar Co., Inc. *Vendee*
(Connell Leasing Company Division)
45 Cardinal Drive
Westfield, New Jersey 07902

Builder

Builder
The Chesapeake & Ohio Railway Company
2 North Charles Street
Baltimore, Maryland 21201

Lessee-Railroad-Seller

The Chesapeake & Ohio Railway Company
2 North Charles Street
Baltimore, Maryland 21201

Agent-Vendor


Agent to Agency for MR
Mercantile-Safe Deposit and Trust Company
Two Hopkins Plaza
P.O. Box 2258
Baltimore, Maryland 21203

Please file and record the documents referred to in this letter, and cross-index them under the names of the Owner-Lessor-Vendee-Buyer, the Builder, the Lessor-Railroad-Seller and the Agent-Vendor.

The equipment covered by the Hulk Purchase Agreement is listed in Exhibit A attached hereto. The equipment covered by the Reconstruction and Conditional Sale Agreement, the Transfer Agreement and the Lease is listed in Exhibit B attached hereto. Each unit of reconstructed railroad equipment bears the legend "Subject to a Security Agreement filed with the Interstate Commerce Commission".

Enclosed is our check for \$200 for the required recordation fee. Please accept for recordation one counterpart of each of the enclosed agreements, stamp the remaining counterparts with your recordation number and return them to the delivering messenger along with your fee receipt, addressed to the undersigned.

Very truly yours,



John S. Herbert
As Agent for The Chesapeake
and Ohio Railway Company

H. G. Homme, Esq., Acting Secretary,
Interstate Commerce Commission,
Washington, D.C. 20423

Encls.

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BY HAND

RECORDATION NO. 9811 B Filed 1425

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INTERSTATE COMMERCE COMMISSION

EXECUTED IN 9 COUNTERPARTS

OF WHICH THIS IS NO. 9

LEASE OF RAILROAD EQUIPMENT

Dated as of October 1, 1978

Between

THE CHESAPEAKE AND OHIO RAILWAY COMPANY,
as Lessee,

and

CONNELL RICE & SUGAR CO., INC.
(Connell Leasing Company Division),
as Lessor

LEASE OF RAILROAD EQUIPMENT

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LEASE OF RAILROAD EQUIPMENT, dated as of October 1, 1978, between THE CHESAPEAKE AND OHIO RAILWAY COMPANY, a Virginia corporation (hereinafter called the Lessee or the Builder), and CONNELL RICE & SUGAR CO., INC. (Connell Leasing Company Division), a New Jersey corporation (hereinafter called the Lessor or the Vendee).

The Builder, the Vendee and MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, not in its individual capacity but solely as Agent (said bank as so acting, being hereinafter, together with its successors and assigns, called the Vendor), under a Participation Agreement dated as of the date hereof (hereinafter called the Participation Agreement) with the Lessor, the Lessee and the investor or investors referred to therein, are entering into a Reconstruction and Conditional Sale Agreement dated as of the date hereof (hereinafter called the RCSA), wherein the Vendor has agreed to sell to the Vendee its interest in the railroad equipment described in Schedule A hereto after it has been reconstructed pursuant to the terms of the RCSA.

The Lessee desires to lease all the units of said equipment, or such lesser number as are delivered, accepted and settled for under the RCSA (such units being hereinafter called the Units), at the rentals and for the terms and upon the conditions hereinafter provided.

NOW, THEREFORE, in consideration of the premises and of the rentals to be paid and the covenants hereinafter mentioned to be kept and performed by the Lessee, the Lessor hereby leases the Units to the Lessee upon the following terms and conditions, but subject to all the rights and remedies of the Vendor under the RCSA:

Section 1. Delivery and Acceptance of Units.

The Lessor hereby appoints the Lessee its agent for inspection and acceptance of the Units pursuant to the RCSA. The Lessor will cause each Unit to be tendered to the Lessee at the point or points within the United States of America at which such Unit is delivered to the Lessor under the RCSA. Upon such tender, the Lessee will cause an authorized representative of the Lessee to inspect the same, and if such Unit is found to be in good order, to

accept delivery of such Unit and execute and deliver to the Lessor a certificate of acceptance and delivery (hereinafter called the Certificate of Acceptance), whereupon such Unit shall be deemed to have been delivered to and accepted by the Lessee and shall be subject thereafter to all the terms and conditions of this Lease.

Section 2. Rental. The Lessee agrees to pay to the Lessor as rental for each Unit subject to this Lease one interim and 16 consecutive semiannual payments in arrears. The interim payment is payable on February 15, 1979. The 16 semiannual payments are payable on February 15 and August 15 in each year, commencing August 15, 1979, to and including February 15, 1987. The interim payment payable on February 15, 1979, shall be in an amount equal to the sum of (i) the product of the Purchase Price as such term is defined in the RCSA for each Unit subject to this Lease settled for under the RCSA on or prior to December 31, 1978, multiplied by .026042% for each calendar day elapsed from and including the date of settlement thereof and to but not including February 15, 1979, and (ii) the product of the Purchase Price of each Unit settled for on or after January 1, 1979, multiplied by .026042% for each calendar day elapsed from and including the date of settlement thereof to but not including February 15, 1979. The 16 semiannual rental payments with respect to each Unit then subject to this Lease shall each be in an amount equal to 7.17601% of the Purchase Price of each such Unit for each Unit delivered and accepted under the RCSA on or prior to December 31, 1978; and the applicable percentage of such Purchase Price of each such Unit shall be 7.43891% for each Unit delivered and accepted from January 1, 1979, through February 15, 1979. The foregoing rental rates have been calculated on the assumption that (i) on February 15, 1979, certain institutional investors will deposit with the Agent an amount equal to the original Investor's unrepaid investment, and such amount will be paid to the original Investor upon surrender of its Certificate of Interest; (ii) the interest payable on the CSA Indebtedness (as defined in the RCSA) shall be 9-3/8% per annum; and (iii) the Reconstruction Cost (as defined in the RCSA) equals at least 57.88% of the total Purchase Price of the Units. If for any reason the amount deposited as described in (i) of the next preceding sentence is less than contemplated, or if the funds deposited by said institutional investors bear an interest rate other than 9-3/8% per annum or if the Reconstruction Cost is less than 57.88% of the total Purchase Price of the Units, the

Lessor and the Lessee agree that the rentals payable hereunder and the Casualty Value percentages set forth in Schedule B hereto will be adjusted, if necessary in the Lessor's opinion, in order that the Lessor's net after-tax rate of return (computed on the same assumptions, including, without limitation, tax rates, as were utilized by the Lessor in establishing the lease rate for this transaction) will not be increased or decreased by reason thereof; provided, however, that the rentals and Casualty Value percentages, as so adjusted, shall be sufficient to satisfy the obligations of the Lessor under the RCSA, notwithstanding any limitation of liability contained therein.

If any of the rental payment dates referred to above is not a business day the rental payment otherwise payable on such date shall be payable on the next succeeding business day. The term "business day" as used herein means a calendar day, excluding Saturdays, Sundays and any other day on which banking institutions in Baltimore, Maryland, or New York, New York, are authorized or obligated to remain closed.

This Lease is a net lease and the Lessee shall not be entitled to any abatement of rent, reduction thereof or setoff against rent, including, but not limited to, abatements, reductions or setoffs due or alleged to be due to, or by reason of, any past, present or future claims of the Lessee against the Lessor under this Lease or under the RCSA, or the Builder or the Vendor or otherwise; nor, except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in or failure of title of the Lessor to any of the Units or damage to or loss of possession or loss of use or destruction of all or any of the Units from whatsoever cause, any liens, encumbrances or rights of others with respect to any of the Units, the prohibition of or other restriction against Lessee's use of all or any of the Units, the taking or requisitioning of any of the Units by condemnation or otherwise, the interference with such use by any person or entity, the invalidity or unenforceability or lack of due authorization of this Lease, any insolvency, bankruptcy, reorganization or similar proceeding against the Lessee, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee

hereunder shall continue to be payable in all events in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease. To the extent permitted by applicable law, the Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender the lease of any of the Units except in accordance with the express terms hereof. Each rental or other payment made by the Lessee hereunder shall be final and the Lessee shall not seek to recover all or any part of such payment from the Lessor for any reason whatsoever. All payments under the Lease shall be made by bank wire transfer of Federal or other funds immediately available at, and not later than 10:00 a.m. Baltimore time, in the city where such payments are due.

Section 3. Term of Lease. The term of this Lease as to each Unit shall begin on the date of the delivery to and acceptance by the Lessee of such Unit and, subject to the provisions of Sections 6, 9 and 12 hereof, shall terminate on the date on which the final payment of rent in respect thereof is due hereunder; provided, however, all the obligations of the Lessee, except for the payment of rent and the furnishing of annual reports, shall continue until surrender of the Units in accordance with Section 13 hereof.

Notwithstanding anything to the contrary contained herein, all rights and obligations of the Lessee under this Lease and in and to the Units are subject to the rights of the Vendor under the RCSA. If an event of default should occur under the RCSA, the Vendor may terminate this Lease (or rescind its termination), all as provided therein.

Section 4. Identification Marks. The Lessee, so long as this Lease shall remain in effect, will cause each Unit to be kept numbered with the road number set forth in Schedule A hereto and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of such Unit, the legend required by Article 8 of the RCSA or other appropriate markings designated by the Vendor, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect Lessor's and Vendor's title to and property in such Unit and the rights of the Lessor under this Lease and of the Vendor under the RCSA. The Lessee will not place any such Unit in operation or exercise any control or dominion over the same

until such legend shall have been so marked on both sides thereof and will replace promptly any such legend which may be removed, obliterated, defaced or destroyed. The Lessee will not change the road number of any Unit unless and until (i) a statement of new number or numbers to be substituted therefor shall have been filed with the Vendor and the Lessor and filed, recorded and deposited by the Lessee in all public offices where this Lease and the RCSA shall have been filed, recorded and deposited and (ii) the Lessee shall have furnished the Vendor and the Lessor an opinion of counsel to that effect and to the further effect that such filing, recordation and deposit will protect the Vendor's and the Lessor's interests in such Units and that no filing, recording, depositing or giving of notice with or to any other Federal, state or local government or agency thereof is necessary to protect the interests of the Vendor and the Lessor in such Units.

Except as above provided, the Lessee, so long as this Lease shall remain in effect, will not allow the name of any person, association or corporation to be placed on the Units as a designation that might be interpreted as a claim of ownership; provided, however, that the Lessee may cause the Units to be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates on railroad equipment used by them of the same or a similar type for convenience of identification of their rights to use the Units as permitted under this Lease.

Section 5. Taxes. All payments to be made by the Lessee hereunder will be free of expense to the Lessor for collection or other charges and will be free of expense to the Lessor with respect to the amount of any local, state, Federal or foreign taxes (other than any United States Federal income tax and, to the extent that the Lessor receives credit therefor against its United States Federal income tax liability, any foreign income tax payable by the Lessor in consequence of the receipt of payments provided herein and other than the aggregate of all state and city income taxes and franchise taxes measured by net income except any such tax which is in substitution for or relieves the Lessee from the payment of taxes which it would otherwise be obligated to pay or reimburse as herein provided), assessments, documentary stamp taxes, or license fees and any charges, fines or penalties in connection therewith (hereinafter called impositions) now or hereafter levied or imposed upon or in connection with or measured by this Lease or any sale, rental, use,

payment, shipment, delivery or transfer of title under the terms hereof or the RCSA, all of which impositions the Lessee assumes and agrees to pay on demand in addition to the payments to be made by it provided for herein. The Lessee will also pay promptly all impositions which may be imposed upon any Unit or for the use or operation thereof or upon the earnings arising therefrom or upon the Lessor solely by reason of its ownership thereof and will keep at all times all and every part of such Unit free and clear of all impositions which might in any way affect the title of the Lessor or result in a lien upon any such Unit; provided, however, that the Lessee shall be under no obligation to pay any impositions so long as it is contesting in good faith and by appropriate legal proceedings such impositions and the nonpayment thereof does not, in the opinion of the Lessor, adversely affect the title, property or rights of the Lessor hereunder or of the Vendee under the RCSA. If any impositions shall have been charged or levied against the Lessor directly and paid by the Lessor, the Lessee shall reimburse the Lessor on presentation of an invoice therefor.

In the event that the Lessor shall become obligated to make any payment to the Vendor pursuant to Article 5 of the RCSA not covered by the foregoing paragraph of this Section 5, the Lessee shall pay such additional amounts (which shall also be deemed impositions hereunder) to the Lessor as will enable the Lessor to fulfill completely its obligations pursuant to said Article 5.

In the event any reports with regard to impositions are required to be made on the basis of individual Units or otherwise, the Lessee will, where permitted to do so under applicable rules or regulations, make and timely file such reports in such manner as to show the interest of the Lessor and the Vendor in the Units as shall be satisfactory to the Lessor and the Vendor or, where not so permitted, will notify the Lessor and the Vendor of such requirement and will prepare and deliver such reports to the Lessor and the Vendor within a reasonable time prior to the time such reports are to be filed in such manner as shall be satisfactory to the Lessor and the Vendor.

In the event that, during the continuance of this Lease, the Lessee becomes liable for the payment or reimbursement of any impositions, pursuant to this Section 5, such liability shall continue, notwithstanding the expiration of this Lease, until all such impositions are paid or reim-

bursed by the Lessee.

The parties hereto acknowledge that the Units become a part of the mass of property used by the Lessee in its operations as a common carrier by rail. Consequently, the parties agree that the Lessee shall include the Units in the ad valorem tax returns to be filed by the Lessee in the applicable states or localities and that neither the Vendor nor the Vendee shall include the Units in any ad valorem tax returns filed by them in such states or localities.

Section 6. Maintenance; Payment for Casualty Occurrences; Insurance. The Lessee agrees that, at its own cost and expense, it will maintain and keep each Unit which is subject to this Lease in good operating order, repair and condition.

In the event that any Unit shall be or become worn out, lost, stolen, destroyed or, in the opinion of the Lessee, irreparably damaged, from any cause whatsoever, or taken or requisitioned by condemnation or otherwise by the United States Government for a period which shall exceed the then remaining term of this Lease or by any other governmental entity resulting in loss of possession by the Lessee for a period of 90 consecutive days or until the end of the term of this Lease (each such occurrence being hereinafter called a Casualty Occurrence) prior to the return of such Unit in the manner set forth in Section 13 hereof and the expiration of the storage period provided therein, the Lessee shall, within 30 days after it shall have determined that such Unit has suffered a Casualty Occurrence, fully notify the Lessor and the Vendor in writing with respect thereto. Notwithstanding any such Casualty Occurrence, the Lessee shall continue making all payments provided for in this Lease in respect of such Unit until the rental payment date listed in Table 1 of Schedule B hereto next succeeding such notice. On such rental payment date the Lessee shall, in addition to other amounts due, pay to the Lessor the Casualty Value (as hereinafter defined) of such Unit as of the date of such payment in accordance with Schedule B hereto. Upon the making of all such payments by the Lessee in respect of any Unit, the rental for such Unit shall thereafter cease to accrue, the term of this Lease as to such Unit shall terminate and (except in the case of the loss, theft or complete destruction of such Unit) the Lessor shall be entitled to recover possession of such Unit. The Lessor

hereby appoints the Lessee its agent, to dispose of any Unit suffering a Casualty Occurrence or any component thereof, at the best price obtainable under the circumstances on an "as is, where is, and with all faults" basis in accordance with the Lessee's normal procedures; provided, however, that, except in the case of the loss, theft or complete destruction of such unit, the Lessee shall give notice of such Casualty Occurrence to the Lessor, and the Lessor may revoke such appointment upon written notice received by the Lessee within 15 days after the date of the notice given by the Lessee to the Lessor. Provided that the Lessee has previously paid the Casualty Value to the Lessor, the Lessee shall be entitled to the net proceeds of such sale after deductions of any cost or expense incurred in disposing of such Unit to the extent they do not exceed the Casualty Value of such Unit, and shall pay any excess to the Lessor.

The Casualty Value of each Unit as of the payment date on which payment is to be made as aforesaid shall be an amount equal to the sum of (a) that percentage of the Purchase Price of such Unit as is set forth in Table 1 of Schedule B hereto opposite such date with respect to such Unit plus (b) if applicable to such Unit, that percentage of the Purchase Price thereof as set forth in Table 2 of said Schedule B with respect to such Unit; provided, however, that the Casualty Value percentages set forth in Schedule B hereto apply only to Units delivered and accepted under the RCSA on or prior to December 31, 1978. With respect to any Unit delivered and accepted after December 31, 1978, the Lessor and the Lessee agree that the Casualty Value percentages set forth in Schedule B hereto will be appropriately adjusted in order that the Lessor's after-tax rate of return (computed on the same assumptions, including, without limitation, tax rates, as were utilized by the Lessor in originally evaluating this transaction) will not be increased or decreased by reason thereof; provided, however, that the Casualty Value percentages, as so adjusted, shall be sufficient to satisfy the obligations of the Lessor under the RCSA, notwithstanding any limitation of liability contained therein.

Whenever any Unit shall suffer a Casualty Occurrence at the end of the term of this Lease or after termination of this Lease and before such Unit shall have been returned in the manner provided in Section 13 hereof, the Lessee shall promptly and fully notify the Lessor with respect thereto and pay to the Lessor an amount equal to the Casualty Value of such Unit as of the rental payment date

immediately preceding such termination. Upon the making of any such payment by the Lessee in respect of any Unit (except in the case of the loss, theft or complete destruction of such Unit), the Lessor shall be entitled to recover possession of such Unit. The Lessor hereby appoints the Lessee its agent, to dispose of any Unit suffering such Casualty Occurrence or any component thereof, at the best price obtainable on an "as is, where is, and with all faults" basis; provided, however, that, except in the case of the loss, theft or complete destruction of such unit, the Lessee shall give notice of such Casualty Occurrence to the Lessor, and the Lessor may revoke such appointment upon written notice received by the Lessee within 15 days after the date of the notice given by the Lessee to the Lessor. Provided that the Lessee has previously paid the Casualty Value to the Lessor, the Lessee shall be entitled to the proceeds of such sale to the extent they do not exceed the Casualty Value of such Unit, and shall pay any excess to the Lessor.

Except as hereinabove in this Section 6 provided, the Lessee shall not be released from its obligations hereunder in the event of, and shall bear the responsibility for and risk of, any Casualty Occurrence to any Unit after delivery to and acceptance thereof by the Lessee hereunder.

The Lessee will, at all times prior to the return of the Units to the Lessor at its own expense, cause to be carried and maintained (i) property insurance in respect of the Units at the time subject hereto; provided, however, that the Lessee may self-insure such Units to the extent it self-insures equipment similar to the Units and to the extent such self-insurance is consistent with prudent industry practice, and (ii) public liability insurance with respect to third party personal and property damage and the Lessee will continue to carry such insurance in such amounts and for such risks and with such insurance companies as is consistent with prudent industry practice but in any event at least, comparable in amounts and against risks customarily insured against by the Lessee in respect of equipment owned or leased by it similar in nature to the units, in each case satisfactory to the Lessor. The proceeds of any property insurance shall be payable to the Vendor and the Lessee, as their interests may appear, so long as the indebtedness, if any, evidenced by the RCSA shall not have been paid in full, and thereafter to the Lessor and the Lessee as their interests may appear. Any policies of insurance carried in accordance

with this paragraph shall (i) require 30 days' prior notice of cancelation or material change in coverage to the Lessor, the Lessor and the Vendor and (ii) name, in the case of liability insurance, the Lessor and the Vendor as additional named insureds as their respective interests may appear and, in the event such policies shall contain breach of warranty provisions, such policies shall provide that in respect of the interests of the Lessor and the Vendor in such policies the insurance shall not be invalidated by any action or inaction of the Lessee or any other person (other than the Lessor and the Vendor) and shall insure the Lessor and the Vendor regardless of any breach or violation of any warranty, declaration or condition contained in such policies by the Lessee or by any other person (other than the Lessor or the Vendor). Prior to the first date of delivery of any Unit pursuant to the RCSA, and thereafter not less than 15 days prior to the expiration dates of the expiring policies theretofore delivered pursuant to this Section 7, the Lessee shall deliver to the Lessor evidence satisfactory to the Lessor of the insurance required to be maintained pursuant to this Section 7.

In the event that the Lessee shall fail to maintain insurance as herein provided, the Lessor may at its option provide such insurance (giving the Lessee prompt written notice thereof) and, in such event, the Lessee shall, upon demand from time to time, reimburse the Lessor for the cost thereof together with interest, on the amount of the cost to the Lessor of such insurance which the Lessee shall have failed to maintain, at the rate of 10-3/8% per annum.

Section 7. Annual Reports. On or before November 1 in each year, commencing with the calendar year 1979, the Lessee will cause to be furnished to the Lessor and the Vendor (at the address shown in Section 17 hereof), an accurate statement, as of the preceding June 30, showing the amount, description and numbers of the Units (a) then leased hereunder and/or covered by the RCSA, (b) that have suffered a Casualty Occurrence during the preceding 12 months (or since the date of this Lease in the case of the first such statement) and (c) then undergoing repairs (other than running repairs) or then withdrawn from use pending such repairs and setting forth such other information regarding the condition and state of repair of the Units as the Lessor

or the Vendor may reasonably request, and stating that, in the case of all Units repainted or repaired during the period covered by such statement, the markings required by Section 4 hereof and by Article 8 of the RCSA shall have been preserved or replaced. The Lessor shall have the right at its sole cost, risk and expense, by its authorized representatives, to inspect the Units and the Lessee's records with respect thereto (including those relating to any use of the Units outside the United States) at such reasonable times as the Lessor may request during the continuance of this Lease.

Section 8. Disclaimer of Warranties; Compliance with Laws and Rules; Indemnification. THE LESSOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE DESIGN OR CONDITION OF, OR AS TO QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE UNITS DELIVERED TO THE LESSEE HEREUNDER, AND THE LESSOR MAKES NO WARRANTY OF MERCHANTABILITY OR FITNESS OF THE UNITS FOR ANY PARTICULAR PURPOSE OR AS TO TITLE TO THE UNITS OR ANY COMPONENT THEREOF, OR ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO ANY UNIT, EITHER UPON DELIVERY THEREOF TO THE LESSEE, OR OTHERWISE, it being agreed that all such risks, as between the Lessor and the Lessee, are to be borne by the Lessee. The Lessor shall have no responsibility or liability to the Lessee or any other person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Units or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith; (ii) the use, operation, or performance of any Units or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Units. The Lessee's delivery of a Certificate of Acceptance shall be conclusive evidence as between the Lessee and the Lessor that all Units described therein are in all the foregoing respects satisfactory to the Lessee, and the Lessee will not assert any claim of any nature whatsoever against the Lessor based on any of the foregoing matters.

The Lessee agrees, for the benefit of the Lessor and the Vendor, to comply in all respects (including, without

limitation, with respect to the use, maintenance and operation of each Unit) with all applicable laws of the jurisdictions in which its operations involving the Units may extend, with the interchange rules of the Association of American Railroads and with all lawful rules of the Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Units, to the extent that such laws and rules affect the title, operation or use of the Units, and in the event that, prior to the expiration of this Lease or any renewal thereof, such laws or rules require any alteration, replacement, addition or modification of or to any part of any Unit, the Lessee will conform therewith at its own expense; provided, however, that the Lessee may at its own expense, in good faith, contest the validity or application of any such law or rule in any reasonable manner which does not, in the advance opinion of the Lessor or the Vendor, adversely affect the property or rights of the Lessor or the Vendor, respectively, under this Lease or under the RCSA. The Lessee, at its own cost and expense, may furnish additions, modifications and improvements to the Units during the term of this Lease provided that such additions, modifications and improvements are readily removable without causing material damage to the Units. The additions, modifications and improvements made by the Lessee under the first sentence of this paragraph shall be owned by the Lessor, and the additions, modifications and improvements made by the Lessee under the second sentence of this paragraph shall be owned by the Lessee.

The Lessee agrees to indemnify, protect and hold harmless the Lessor and the Vendor from and against all losses, damages, injuries, liabilities, claims and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, but not limited to, counsel fees and expenses, patent liabilities, penalties and interest, arising out of or as a result of (i) the entering into or the performance of the RCSA, the Participation Agreement, the Hulk Purchase Agreement, or this Lease, or any of the instruments or agreements referred to therein or herein or contemplated thereby or hereby, (ii) the ownership of any Hulk or any Unit, (iii) the ordering, acquisition, use, operation, maintenance, condition, reconstruction, purchase, delivery, rejection, storage or return of any Hulk or any Unit, (iv) any accident in connection with the operation, use, condition, reconstruction, possession, storage or return

of any Hulk or any Unit resulting in damage to property or injury or death to any person, except as otherwise provided in Section 13 of this Lease, including without limitation any claim based upon the doctrines of product liability or strict or absolute liability in tort or by statute imposed, or (v) the transfer of title to the Equipment by the Vendor pursuant to any provision of the RCSA. The Lessor agrees to give the Lessee, promptly upon obtaining knowledge thereof, written notice of any claim or liability to be indemnified against hereunder. The indemnities arising under this paragraph shall continue in full force and effect notwithstanding the delivery of the Equipment or the full payment and performance of all obligations under this Lease and the Hulk Purchase Agreement or the expiration or termination of the term of this Lease and/or the Hulk Purchase Agreement; provided, however, that the foregoing indemnification shall not apply to any failure of payment of any of the principal or interest on the CSA Indebtedness. Nothing in this Section 8 shall constitute a guarantee by the Lessee of the CSA Indebtedness of the Lessor under the RCSA or a guarantee of the residual value of any Unit.

The Lessee agrees to prepare and deliver to the Lessor within a reasonable time prior to the required date of filing (or, to the extent permissible, file on behalf of the Lessor) any and all reports (other than income tax returns) to be filed by the Lessor with any Federal, state or other regulatory authority by reason of the ownership by the Lessor or the Vendor of the Units or the leasing thereof to the Lessee.

Section 9. Default. If, during the continuance of this Lease, one or more of the following events (each such event being herein sometimes called an Event of Default) shall occur:

A. default shall be made in the payment of any amount provided for in Sections 2, 6 or 12 hereof and such default shall continue for five days;

B. the Lessee shall make or permit any unauthorized assignment or transfer of this Lease, or any interest therein, or of the right to possession of the Units, or any thereof;

C. default shall be made in the observance or performance of any other of the covenants, conditions and

agreements on the part of the Lessee contained herein or in the Participation Agreement and such default shall continue for 30 days after written notice from the Lessor or the Vendor to the Lessee specifying the default and demanding that the same be remedied;

D. a petition for reorganization under the Federal Bankruptcy Act, as now constituted or as it may hereafter be amended, shall be filed by or against the Lessee and, unless such petition shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease shall not have been (and shall not continue to be) duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed in such proceedings in such manner that such obligations shall have the same status as expenses of administration and obligations incurred by such trustee or trustees, within 60 days after the commencement of the case;

E. any proceedings shall be commenced by or against the Lessee for any relief which includes, or might result in, any modification of the obligations of the Lessee under this Lease, the Participation Agreement or the Consent under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustments of the obligations of the Lessee hereunder, under the Participation Agreement or under the Consent), and, unless such proceedings shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease, under the Participation Agreement or under the Consent, as the case may be, shall not have been (and shall not continue to be) duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed for the Lessee or for the property of the Lessee in connection with any such proceedings in such manner that such obligations shall have the same status as expenses of administration and obligations incurred by such a trustee or trustees or receiver or receivers, within 60

days after such proceedings shall have been commenced;
or

F. any of the Lessee's representations or warranties made herein or any statement or certificate at any time given in writing pursuant hereto or in connection herewith shall be breached or found to be false or misleading in any material respect;

then, in any such case, the Lessor, at its option, may:

(a) proceed by appropriate court action or actions, either at law or in equity, to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof; or

(b) by notice in writing to the Lessee terminate this Lease, whereupon all rights of the Lessee to the use of the Units shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as herein provided; and thereupon the Lessor may by its agents or employees enter upon the premises of the Lessee or other premises where any of the Units may be and take possession of all or any of such Units and thenceforth hold, possess, sell, operate, lease to others and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Units for any purposes whatever and without any duty to account to the Lessee for such action or inaction or for any proceeds arising therefrom; but the Lessor shall, nevertheless, have a right to recover from the Lessee any and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full rental period) and also to recover forthwith from the Lessee as damages for loss of the bargain and not as a penalty, whichever of the following amounts the Lessor, in its sole discretion, shall specify: (x) a sum, with respect to each Unit, equal to the excess of the present value, at the time of such termination, of the entire unpaid balance of all rental for such Unit which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease as to

such Unit over the then present value of the rental which the Lessor reasonably estimates to be obtainable for the Unit during such period, such present value to be computed in each case on the basis of a 6% per annum discount, compounded semiannually from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated; or (y) an amount equal to the excess, if any, of the Casualty Value as of the rental payment date on or next preceding the date of termination over the amount the Lessor reasonably estimates to be the net proceeds of sale of such Unit at such time; provided, however, that in the event the Lessor shall have sold any Unit, the Lessor, in lieu of collecting any amounts payable to the Lessor by the Lessee pursuant to the preceding clauses (x) and (y) of this part (b) with respect to such Unit, may, if it shall so elect, demand that the Lessee pay the Lessor and the Lessee shall pay to the Lessor on the date of such sale, as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the excess, if any, of the Casualty Value for such Unit, as of the rental payment date on or next preceding the date of termination over the net proceeds of such sale.

In addition, the Lessee shall be liable, except as otherwise provided above, for any and all unpaid amounts due hereunder before, during or after the exercise of any of the foregoing remedies and for all reasonable attorneys' fees and other costs and expenses incurred by reason of the occurrence of any Event of Default or the exercise of the Lessor's remedies with respect thereto, including all costs and expenses incurred in connection with the return of any Unit.

Should the Lessee fail to make any payment or to do any act as provided by this Lease, then the Lessor shall have the right (but not the obligation), without notice to the Lessee of its intention to do so and without releasing the Lessee from any obligation hereunder to make or to do the same, to make advances to preserve the Equipment or the Lessor's title thereto, and to pay, purchase, contest or compromise any insurance premium, encumbrance, charge, tax, lien or other sum which in the judgment of the Lessor appears to affect the Equipment, and in exercising any such rights, the Lessor may insure any liability and expend whatever amounts in its absolute discretion it may deem necessary therefor. All sums so incurred or expended by the Lessor shall be due and payable by the Lessee within ten (10) days

of notice thereof, together with interest thereon from the date of expenditure at the rate of 10-3/8% per annum.

The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative, and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify the remedies herein provided, to the extent that such waiver is not, at the time in question, prohibited by law. The Lessee hereby waives any and all existing or future claims to any offset against the rental payments due hereunder, and agrees to make rental payments regardless of any offset or claim which may be asserted by the Lessee or on its behalf.

The failure of the Lessor to exercise the rights granted it hereunder upon the occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies.

Section 10. Return of Units upon Default. If this Lease shall terminate pursuant to Section 9 hereof, the Lessee shall forthwith deliver possession of the Units to the Lessor. Each Unit so delivered shall be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear excepted. For the purpose of delivering possession of any Unit or Units to the Lessor as above required, the Lessee shall at its own cost, expense and risk:

(a) forthwith and in the usual manner (including, but not by way of limitation, giving prompt telegraphic and written notice to the Association of American Railroads and all railroads to which any Unit or Units so interchanged) place such Units upon such storage tracks of the Lessee or its affiliates as the Lessor reasonably may designate;

(b) permit the Lessor to store such Units on such tracks at the risk of the Lessee without charge for insurance, rent or storage until such Units have been sold, leased or otherwise disposed of by the Lessor; and

(c) transport the same to any place on the lines

of railroad operated by it or any of its affiliates or to any connecting carrier for shipment, all as directed by the Lessor.

The assembling, delivery, storage and transporting of the Units as hereinbefore provided shall be at the expense and risk of the Lessee and are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. During any storage period, the Lessee will, at its own cost and expense, insure, maintain and keep the Equipment in good order and repair and will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any such Unit, to inspect the same.

All amounts earned in respect of the Units after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. In the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 60 days after such termination, the Lessee shall, in addition, pay to the Lessor for each day thereafter an amount equal to the amount, if any, by which .039867% of the Purchase Price of such Unit exceeds the actual earnings received by the Lessor on such Unit for each such day.

Without in any way limiting the obligation of the Lessee under the foregoing provisions of this Section 10, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney-in-fact of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Unit to the Lessor, to demand and take possession of such Unit in the name and on behalf of the Lessee from whomsoever shall be in possession of such Unit at the time.

Section 11. Assignment; Possession and Use. This Lease shall be assignable in whole or in part by the Lessor without the consent of the Lessee, but the Lessee shall be under no obligation to any assignee of the Lessor except upon written notice of such assignment from the Lessor. The rights of the Lessor hereunder (including, but not limited to, the rights under Sections 5, 6, 8 and 9 and the rights to receive the rentals payable under this Lease)

shall inure to the benefit of the Vendor as assignee under the Assignment of Lease and Agreement dated as of the date hereof between the Vendor and the Lessor (hereinafter called the Assignment) in the manner and to the extent therein provided.

So long as the Lessee shall not be in default under this Lease and no event of default exists under the RCSA, the Lessee shall be entitled to the possession and use of the Units in accordance with the terms of this Lease but, without the prior written consent of the Lessor and the Vendor, the Lessee shall not assign or transfer its leasehold interest under this Lease in the Units or any of them, or sublease the Units or any of them, except to the extent permitted by the provisions of the next succeeding paragraph hereof; and any such assignment, transfer or sublease without said consent shall be void. The Lessee, at its own expense, will promptly discharge or cause to be duly discharged any and all sums claimed by any party which if unpaid, might become a lien, charge, security interest or other encumbrance (other than an encumbrance created by the Lessor or the Vendor after the date hereof or resulting from claims against the Lessor or the Vendor not related to the ownership of the Units), upon or with respect to any Unit or the interest of the Lessor, the Vendor or the Lessee therein, and will promptly discharge any such lien, charge, security interest or other encumbrance which arises. The Lessee shall not, without the prior written consent of the Lessor, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Units, except to the extent permitted by the provisions of the next succeeding paragraph hereof.

Subject to the terms of this Lease, the Lessee shall be entitled to the possession of the Units and to the use thereof by it or any affiliate upon lines of railroad owned or operated by it or any such affiliate or upon the lines of railroad over which the Lessee or any such affiliate has trackage or other operating rights or over which railroad equipment of the Lessee or any such affiliate is regularly operated pursuant to contract, and also to permit the use of the Units upon connecting and other carriers in the usual interchange of traffic and equipment, and to assign its rights to the Units or to sublease the Units to any of its affiliates, but only upon and subject to all the terms and conditions of this Lease, including the last paragraph of this Section 11, and the RCSA. The Lessee may receive and

retain compensation for such use from other railroads so using any of the Units. Any sublease permitted by this paragraph may provide that the sublessee, so long as it shall not be in default under such sublease, shall be entitled to the possession of the Units included in such sublease and the use thereof; provided, however, that every such sublease shall be subject to the rights and remedies of the Vendor under the RCSA and the Lessor under this Lease in respect of the Units covered by such sublease upon the occurrence of an event of default or Event of Default thereunder or hereunder.

Nothing in this Section 11 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the Units or possession of the Units to any corporation incorporated under the laws of any state of the United States of America or the District of Columbia (which shall have duly assumed the obligations of the Lessee hereunder) into or with which the Lessee shall have become merged or consolidated or which shall have acquired the railroad properties of the Lessee as an entirety or substantially as an entirety, provided that such assignee or transferee will not, upon the effectiveness of such merger, consolidation or acquisition, be in default under any provision of this Lease.

The Lessee agrees that during the term of this Lease, it will not assign any Unit to service involving the regular operation and maintenance thereof outside the United States of America.

Section 12. Renewal Option; Purchase Option. Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, the Lessee may by written notice delivered to the Lessor not less than 180 days prior to the end of the original term or the first extended term of this Lease, elect to extend such original or extended term of this Lease, as the case may be, in respect of all but not less than all the Units then covered by this Lease or the then extended term, as the case may be, for an additional two-year period commencing on the scheduled expiration of such original term or the extended term, as the case may be, of this Lease at a "Fair Market Rental" payable, in arrears, in semiannual payments on the months and day such rentals were payable for the Units in each year of the original term.

Fair Market Rental shall be determined for each

extended term of this Lease on the basis of, and shall be equal in amount to, the rental which would obtain in an arm's-length transaction between an informed and willing lessee and an informed and willing lessor under no compulsion to lease and, in such determination, costs of removal from the location of current use shall not be a deduction from such rental.

Provided that the Lessee is not in default, the Lessee shall have the right to purchase all but not less than all of the Units then leased hereunder at the expiration of the original term or of the second extended term pursuant to this Section 12 at a price equal to the Fair Market Value of such Units (as hereinafter defined). The Lessee shall give the Lessor written notice 180 days prior to the end of the term or any extended term of this Lease of its election to exercise the purchase option provided for in this Section 12. Payment of the purchase price shall be made at the office of the Lessor specified in Section 17 hereof in immediately available funds against delivery of a bill of sale transferring and assigning to the Lessee all right, title and interest of the Lessor in and to the Units and containing a warranty against liens or claims of persons claiming by, through or under the Lessor except liens and claims which the Lessee assumed or is obligated to discharge under the terms of the Lease. The Lessor shall not be required to make any representation or warranty as to the condition of the Units or any other matters.

Fair Market Value shall be determined on the basis of, and shall be equal in amount to, the value which would obtain in an arm's-length transaction between an informed and willing purchaser (other than (i) a lessee currently in possession or (ii) a used equipment dealer) and an informed and willing seller under no compulsion to sell and, in such determination, costs of removal from the location of current use shall not be a deduction from such value.

Notwithstanding any election of the Lessee to purchase as provided in this Section 12, the provisions of Section 6 hereof shall continue in full force and effect until the date of purchase and the passage of ownership of the Units purchased by the Lessee upon such date unless the purchase price has been agreed upon by the parties pursuant to this Section 12, in which event the amount payable under Section 6 hereof shall be the greater of the amount otherwise payable under said Section 6 or such purchase price.

If on or before 150 days prior to the expiration of any term of this Lease, the Lessor and the Lessee are unable to agree upon a determination of the Fair Market Rental or the Fair Market Value, as the case may be, of the Units, such value shall be determined in accordance with the foregoing definitions, respectively, by the following procedure: If either party to such determination shall have given written notice to the other requesting determination of such value by this appraisal procedure, the parties shall consult for the purpose of appointing a qualified independent appraiser by mutual agreement. If no such appraiser is so appointed within 20 business days after such notice is given, each party shall appoint an independent appraiser within 25 business days after such notice is given, and the two appraisers so appointed shall within 35 business days after such notice is given appoint a third independent appraiser. If no such third appraiser is appointed within 35 business days after such notice is given, either party may apply, to make such appointment, to the American Arbitration Association, and both parties shall be bound by any appointment so made. Any appraiser or appraisers appointed pursuant to the foregoing procedure shall be instructed to determine such value of the Units within 90 days after his or their appointment. If the parties shall have appointed a single appraiser or if either party shall have failed to appoint an appraiser, the determination of such value of the single appraiser appointed shall be final. If three appraisers shall be appointed, the determination of the appraiser which differs most from the other two appraisers shall be excluded, the remaining two determinations shall be averaged and such latter average shall be final and binding upon the parties hereto as such value. The appraisal proceedings shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association as in effect on the date hereof, except as modified hereby. The provision for this appraisal procedure shall be the exclusive means of determining Fair Market Rental and/or Fair Market Value, as the case may be, and shall be in lieu of any judicial or other procedure for the determination thereof, and each party hereto hereby consents and agrees not to assert any judicial or other procedures. The expenses of the appraisal procedure shall be borne by the Lessee.

Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, in the event the Lessor elects to sell any Units to third parties at the expiration of the first extended term of this Lease, the

Lessee shall be given written notice of such intention prior to the expiration of such term. In the event that the Lessor shall receive, prior to removal of the Units at the end of such extended term of the Lease, a bona fide offer in writing from another party unrelated to the Lessee to purchase the Units and the Lessor elects to sell the Units pursuant to such offer at the expiration of such extended term of this Lease, the Lessor shall give written notice to the Lessee of such offer. Such notice shall include the price and the terms and conditions of payment offered by the other party in writing to the Lessor. The Lessee shall have the sole right and option to purchase the Units for cash at the price at which the Units are proposed to be sold or under the other terms and conditions of payment offered by the other party, as hereinafter provided. Within 10 business days of receipt of notice from the Lessor, the Lessee shall exercise such purchase right by delivery to the Lessor of a written notice specifying a date of purchase, which date shall not be later than the later of (i) 15 days after the date of delivery of such notice by the Lessee to the Lessor, or (ii) 90 days after the expiration of such extended term of this Lease. In the event that the Lessee shall have delivered a notice of its election to purchase the Units, this Lease (including the obligation to pay rent) shall be further extended upon the same terms and conditions set forth herein from the date such notice is delivered to the Lessor until the date of such purchase.

Section 13. Return of Units upon Expiration of Term. As soon as practicable on or after the expiration of the original or extended term of this Lease with respect to any Unit, and, in any event, not later than 90 days thereafter, the Lessee will marshal the Units (without being required to make any payment to Lessor in respect of the Units) and the Lessee will, at its own cost and expense, at the request of the Lessor, deliver possession of such Unit to the Lessor upon such storage tracks of the Lessee as the Lessee may designate and permit the Lessor to store such Unit on such tracks for a period not exceeding 150 days, and transport the same, on a one-time basis at any time within such 150-day period, to any connecting carrier for shipment, all as directed by the Lessor, the movement and storage of such Unit to be at the expense and risk of the Lessee. During any such storage period, the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any Unit, to inspect the same;

provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of the Lessor or any prospective purchaser, the rights of inspection granted under this sentence. Each Unit returned to the Lessor pursuant to this Section 13 shall (i) be in the same operating order, repair and condition as when originally delivered to the Lessee, ordinary wear and tear excepted, (ii) be capable of being moved unloaded by the Lessee to any purchaser or subsequent lessee, and (iii) have removed therefrom by the Lessee without cost or expense to the Lessor all additions, modifications and improvements which the Lessee owns pursuant to Section 8 hereof. The assembling, delivery, storage and transporting of the Units as hereinbefore provided are of the essence of this Lease, and, upon application to any court having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units.

In the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 90 days after the end of the term of this Lease, then the Lessee shall promptly pay to the Lessor an amount for each day after such 90-day period, equal to the greater of (i) all per diem amounts earned by such units (including to the extent any Unit is used by the Lessee during this period, the per diem charge for each such day of use in revenue service) or (ii) .039867% of the Purchase Price of such Unit. If, within the 150-day storage period the Lessor has not given the Lessee notice to transport any Unit to a connecting carrier for shipment, the Lessor will pay to the Lessee for storage a reasonable storage rate for such Unit beginning the first day after the 150-day storage period.

Section 14. Recording; Expenses. The Lessee, at its own expense, will cause this Lease, the Transfer Agreement, the RCSA and any assignment hereof or thereof to be filed with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act, as amended. The Lessee will undertake the filing, recording and depositing and refiling, rerecording and redepositing required of the Lessor under the RCSA and will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, record and deposit (and will refile, reregister, rerecord or redeposit whenever required) any and all further instruments or supplements required by

law or reasonably requested by the Lessor or the Vendor for the purpose of proper protection, to their satisfaction, of the Vendor's and the Lessor's respective interests in the Units, or for the purpose of carrying out the intention of this Lease or the assignment hereof to the Vendor, or the RCSA; and the Lessee will promptly furnish to the Vendor and the Lessor evidences of all such filing, registering, recording or depositing, and an opinion or opinions of counsel for the Lessee with respect thereto satisfactory to the Vendor and the Lessor. This Lease, the Assignment, the Transfer Agreement and the RCSA shall be filed with the Interstate Commerce Commission prior to the delivery and acceptance hereunder of any unit.

SECTION 15. Tax Indemnities. In entering into the transaction contemplated hereby, it is the intention of the Lessor and the Lessee that such transaction will result in making available to the Lessor the following tax benefits (the "Tax Benefits") for the purposes of Federal and (to the extent applicable) state and local taxes: (i) this Lease constitutes a true lease, (ii) the Lessor is the lessor and the Lessee is the lessee under this Lease, (iii) the Lessor is entitled to the investment tax credit allowed under Section 38 and related sections of the Internal Revenue Code of 1954, as amended to the date hereof (the "Code"), in an amount equal to 10% of the Reconstruction Cost of the Units and is available based on the assumption that each Unit is placed in service by the Lessor in the taxable year of the Lessor during which the date of acceptance of such Unit occurs under this Lease (the "Investment Tax Credit") (such reconstructed portion of the Units shall be deemed to be new "Section 38 Property" within the meaning of Section 48 of the Code), (iv) the Lessor is entitled to (A) depreciate the Reconstruction Cost of the Units using the double-declining balance method of depreciation authorized by Section 167(b)(2) of the Code from the date of acceptance of each Unit under this Lease over an asset depreciation range of 12 years which is the lower limit for an asset described in Asset Guideline Class No. 00.25 as provided in Rev. Proc. 77-10, (B) depreciate the Hulk Purchase Price using the 150%-declining balance method of depreciation pursuant to Treas. Reg. § 1.167(a)-11(c)(1)(iv)(b)(2) from the date of acceptance of each Hulk under the Hulk Purchase Agreement over an asset depreciation range of 12 years which is the lower limit for an asset described in Asset Guideline Class No. 00.25, as provided in Rev. Proc. 77-10, (C) switch, without the prior consent of the Commissioner of Internal Revenue, to the

sum-of-the-years-digits method of depreciation authorized by Section 167(b)(3) of the Code, when most beneficial to the Lessor, in accordance with Treas. Reg. § 1.167(a)-(11)(c)(1)(iii), and (D) adopt the half-year convention described in Treas. Reg. § 1.167(a)-(11)(c)(2)(iii) (including, as to each Unit, six months of depreciation for the year in which the date of acceptance of such Unit occurs under this Lease) in accordance with Section 167(m) of the Code, (v) the Units may be depreciated to an estimated gross salvage value of 10% of the Purchase Price of the Units which will be reduced by 10% of the Purchase Price of such Units as provided in Section 167(f) of the Code (subsections (iv) and (v) of this paragraph being hereinafter referred to collectively as the "Depreciation Deduction"), (vi) the marginal corporate tax rates applicable to the Lessor's income shall not be less than the rates in effect as of the date hereof and (vii) the Lessor is entitled to deduct the interest (the "Interest Deduction") payable by the Lessor under the RCSA to Investors other than themselves.

The Lessee agrees that neither it nor any corporation controlled by it, in control of it, or under common control with it, directly or indirectly, will at any time take any action, or fail to take any action or file any returns, certificates or other documents inconsistent with the foregoing contemplated Tax Benefits (except that the Lessee may take such action as may be deemed by the Lessee to be necessary in consequence of, and file returns in connection with, the de minimis use of the Units outside the United States; provided, however, that the Lessee will remain liable for all its indemnities under this Section 15) and that the Lessee will file such returns, take such action and execute such documents, and keep and make available for inspection and copying by the Lessor such records (other than the Lessee's corporate income tax returns), as may be reasonable and necessary to facilitate accomplishment of the intent hereof.

Lessee represents and warrants that all of the Reconstruction Cost of the Equipment, when delivered and accepted under this Lease, will constitute new "Section 38 Property" to the Lessor and will remain "Section 38 Property" to the Lessor during the Lease term.

If the Lessor shall lose, or shall not have, or shall lose the right to claim or shall suffer a disallowance of or shall be required to recapture, all or any portion of

the Tax Benefits with respect to all or part of any Unit due to (a) the sale or other disposition of any Unit or the interest of the Lessor therein after the occurrence of an Event of Default by the Lessee under this Lease, or (b) any act or omission of the Lessee, whether or not such act or omission is permitted by this Lease or any document contemplated by this Agreement, or any material misrepresentation by the Lessee in this Lease, the Participation Agreement or any other documents annexed hereto, then in any such case, the rent payable by the Lessee to the Lessor under the Lease, shall, on the first date provided in the Lease for the payment of installments of rental hereunder after the date on which the liability of the Lessee hereunder shall become fixed as hereinafter provided in this Section 15, be increased by such amount as shall be required in the reasonable opinion of the Lessor to maintain the Lessor's net after-tax rate of return (computed on the same assumptions as utilized by the Lessor in establishing the lease rate for this transaction) in respect of such Unit over the entire term of this Lease at the same level that would have been available if the Lessor had been entitled to utilization of all of the Tax Benefits. In the event that the Lease is terminated with respect to any Unit prior to the time the Lessee is obligated to make payments to the Lessor as set forth in the preceding sentence or pursuant to the tenth paragraph of this Section 15 (either because no such payment obligation had become fixed under such sentence prior to such termination or because the due date of such payment or payments shall occur following such termination), then the Lessee shall pay to the Lessor, in lieu of such payment or payments, on or before 30 days after the liability of the Lessee in respect of such termination and hereunder shall become fixed as hereinafter provided, such lump sum (calculated in the same manner as set forth in the preceding sentence, and, in the case of a termination in connection with a Casualty Occurrence making necessary adjustments for any previous revision of the Casualty Values pursuant to the second sentence of the sixth paragraph of this Section 15) as shall be necessary in the reasonable opinion of the Lessor to maintain the Lessor's net after-tax rate of return (computed on the same assumptions as utilized by the Lessor in establishing the lease rate for this transaction) in respect of such Unit hereunder and under the Lease at the same level that would have been available if the Lessor had been entitled to utilization of all such Tax Benefits.

If any item of income, credit or deduction with

respect to any Unit shall not be treated as derived from or allocated to sources within the United States in the Lessor's Federal income tax return for a given year, then the Lessee shall pay to the Lessor on the first day thereafter provided for in this Lease for the payment of installments of rental hereunder, an amount which, after deduction of all income taxes required to be paid by the Lessor on the receipt of such amount under the laws of the United States or any political subdivision thereof (calculated on the assumption that such taxes are payable at the Lessor's then applicable marginal tax rate), shall be equal to the foreign tax credits which the Lessor would have been entitled to with respect to such taxable year but for the Lessor's participation in the transactions contemplated by this Lease. The Lessee will maintain records sufficient to verify its use of the Units outside of the United States, which use shall, as warranted above in this Section 15, in no event be the result of the Units having been placed in regular assigned service outside of the United States, and Lessee shall make available such records to the Lessor for Federal income tax audit purposes, upon receipt of 30 days' written notice.

The Lessee acknowledges that the Schedule of Casualty Values which is Schedule B hereto has been computed on the assumption that the Lessor shall be entitled to the Tax Benefits. Accordingly, in the event the Lessee becomes obligated under the provisions of this Lease to pay additional sums to the Lessor pursuant to this Section 15, the said Schedule of Casualty Values shall be revised as may be necessary in the reasonable opinion of the Lessor so that the amount payable by the Lessee in connection with any Casualty Occurrence shall be sufficient to maintain the Lessor's net after-tax rate of return (computed on the same assumptions as utilized by the Lessor in establishing the lease rate for this transaction) at the same level that would have been available to the Lessor upon payment of Casualty Value had the Tax Benefits been allowed in full. The revised Schedule of Casualty Values shall be applied to any payment of Casualty Value paid after the liability of the Lessee hereunder shall become fixed as hereinafter provided regardless of the date of the Casualty Occurrence. Furthermore, with respect to any previous payment of Casualty Value under this Lease by the Lessee after a Casualty Occurrence but prior to the aforementioned revision of the Casualty Value with respect to such Unit, the Lessee shall pay to the Lessor, in a lump sum, the additional amount, in excess of the Casualty Value actually paid, that Lessee would have been

required to pay had the liability of the Lessee hereunder become fixed prior to the date of the original payment, and had the Schedule of Casualty Value, accordingly, been revised as provided above.

Anything in the fourth paragraph of this Section 15 to the contrary notwithstanding, the Lessee shall not be required to make any payment to the Lessor provided for herein if the Lessor shall have lost, or shall not have, or shall have lost the right to claim, or shall have suffered a disallowance of, or shall have been required to recapture all or any portion of any Tax Benefit solely because one or more of the following events (hereinafter called "Excluded Events") has occurred:

(i) a Casualty Occurrence with respect to such Unit, if the Lessee shall have paid to the Lessor the amounts stipulated under Section 6 of this Lease, as the same may be revised pursuant to the preceding paragraph;

(ii) a voluntary transfer or other voluntary disposition by the Lessor of any interest in such Unit or the voluntary reduction by the Lessor of its interest in the rentals from such Unit or any transfer or disposition by the Lessor resulting from bankruptcy or other proceedings for the relief of debtors in which the Lessor is the debtor (whether voluntary or involuntary) of any interest in such Unit or in the rentals therefor under the Lease unless, in each case, an Event of Default by the Lessee under this Lease shall then have occurred and be continuing;

(iii) the failure of the Lessor to timely claim its portion of the Investment Tax Credit, the Depreciation Deduction or the Interest Deduction, as applicable, in its Federal income tax return for the appropriate year unless the Lessor shall have received an opinion of its independent tax counsel to the effect that the Lessor is not entitled to claim such Investment Tax Credit, Depreciation Deduction or Interest Deduction or the failure of the Lessor to follow proper procedure in claiming the Tax Benefits; or

(iv) the failure of the Lessor to have sufficient liability for tax against which to credit its portion of such Investment Credit or sufficient income to benefit from the Depreciation Deduction or the Interest

Deduction, as applicable.

In the event a claim shall be made against the Lessor which, if successful would result in payment by the Lessee of amounts pursuant to the fourth paragraph of this Section 15, and if, in the opinion of the Lessee's in-house tax counsel or, in the event the opinion of such counsel is not acceptable to the Lessor, independent tax counsel who is acceptable to the Lessor selected by the Lessee (herein referred to as "Counsel") a bona fide defense to all or a portion of such claim exists, the Lessor shall, upon the request of and at the expense of the Lessee, contest such claim in such forum as the Lessor, in its sole judgment, shall select; provided, however, that the Lessee shall first have indemnified the Lessor for all liabilities and expenses which may be entailed therein and shall have furnished the Lessor with such reasonable security therefor as may be requested. The Lessor may, at its option, take such action prior to making payment of any tax and interest and/or penalty attributable to the disallowance or recapture with respect to the Lessor of all or any portion of the Tax Benefits with respect to any Unit (a "Tax Payment") or may make such Tax Payment and then sue for a refund. If the Lessor takes such action prior to making such Tax Payment, such sums payable hereunder need not be paid by the Lessee while such action is pending; provided that the Lessee shall pay the liabilities and expenses relating to such action when and as the same shall become due. In such case, if the Final Determination (as such term is defined in the next succeeding paragraph hereof) shall be adverse to the Lessor the amounts payable hereunder shall be computed by the Lessor as of the date of such Final Determination and the Lessee shall commence payment of the increased rent payable pursuant to the fourth paragraph of this Section 15. If the Lessor makes such Tax Payment prior to contesting the matter and then either sues for a refund or does not contest such Tax Payment because the Lessee has not requested the Lessor to do so in accordance with the terms of this paragraph, the Lessee shall on the first rental payment date under the Lease after such Tax Payment commence payment of the increased rent payable pursuant to the fourth paragraph of this Section 15. If the Lessor sues for a refund after making such Tax Payment, and if the Final Determination shall be in favor of the Lessor, no future payments shall be due hereunder in respect of such matter (or an appropriate reduction shall be made if the Final Determination is partly in favor of and partly adverse to the Lessor). In addition, the Lessee and the Lessor shall

adjust their accounts so that (a) the Lessor pays to the Lessee (x) an amount equal to the amount of the tax indemnity theretofore paid by the Lessee to the Lessor in respect of such matter (or a proportionate part thereof if the Final Determination is partly adverse to the Lessor) on or before such next succeeding rental payment date together with interest thereon at the interest rate then being paid on tax overpayments by the United States for the period from the date such sums were paid to the Lessor to the date the Lessor pays to the Lessee an amount equal to such sums, and (y) the amount of any penalty or interest refunded to the Lessor as a result of such Final Determination and any interest paid to the Lessor by the government on such refund, promptly upon receipt thereof and (b) the Lessee pays to the Lessor an amount equal to interest at the "prime" or "base" rate of interest announced from time to time by Citibank, N.A., on the amount of the tax refund made with respect to the Tax Payment (excluding any interest or penalty included therein) for the period from the date of the original payment of the Tax Payment by the Lessor to the date such tax refund is received by the Lessor, such rate to be calculated in either case as from time to time in effect during the respective periods. Notwithstanding the foregoing, the Lessor may elect not to contest (or to discontinue any contest in respect of) any such claim which it is otherwise required to commence in accordance with this paragraph, if the Lessor waives the Lessee's liability to indemnify the Lessor with respect to the Tax Benefits involved in respect of such claim. If the Lessor agrees to the disallowance in whole or in part of a refund based upon the loss of a tax benefit or a final decision is entered by a court of competent jurisdiction disallowing the refund because of the assertion of an offset involving other issues, the Lessor shall advise the Lessee within 30 days of the agreement or a decision, and such agreement or decision shall be recorded as a favorable decision to the Lessor for purposes of this section.

"Final Determination" for the purpose of this Agreement, means a final decision of a court of competent jurisdiction after all allowable appeals requested by the Lessee pursuant to the preceding paragraph (other than an appeal or petition for certiorari to the Supreme Court of the United States unless the Lessor elects to file such appeal or petition) have been exhausted by either party to the action. Neither concession by the Lessor of any of the aforementioned Tax Benefits in the overall settlement of a controversy with the Internal Revenue Service either at the

administrative level or at the court level nor the failure to recover a refund in whole or in part with respect to the disallowance of such Tax Benefit which is the result of a setoff against a claim for refund based upon the loss of such Tax Benefits where the matters set off do not relate to such Tax Benefits will constitute an adverse "Final Determination" causing the aforementioned additional payments to accrue to the Lessor.

In the event and to the extent that the cost or value of any replacement, improvement and/or addition to a Unit or any expenditure by the Lessee in respect of any Unit or this Lease or any agreement contemplated by this Agreement (hereinafter called "Additional Expenditures") made by the Lessee, under and pursuant to the terms of this Lease or otherwise, is required to be included in the gross income of the Lessor for Federal, state or local income tax purposes at any time prior to the time such Unit is disposed of in a taxable transaction, then the Lessee hereby agrees that it will pay to the Lessor on each of the dates provided in this Lease for payment of the installments of rental hereunder in respect of such Unit commencing with the first such date following the date on which the Lessor furnished written notice to this Lessee that such inclusion is required, such sums which when taken together with the rental installments due on such dates under the Lease in respect of such Unit, will, in the reasonable opinion of the Lessor maintain the Lessor's net after-tax return (computed on the same assumptions as utilized by the Lessor in establishing the lease rate for this transaction) in respect of such Unit hereunder and under this Lease at the same level that would have been available if the cost or value of such Additional Expenditures had not been treated as income to the Lessor.

In the event that the Lessee shall pay all or any portion of any installment of rent under this Lease prior to the date upon which such payment is herein required to be made, the Lessee shall pay to the Lessor an amount which, after deduction of all taxes and other charges in respect of the receipt of such amount under the laws of any Federal, state or local governmental or taxing authority in the United States or under the laws of any foreign country or subdivision of any taxing authority thereof (calculated on the assumption that such taxes are payable at the Lessor's then applicable marginal tax rate), shall be equal to the excess of (A) the taxes and other charges payable by the Lessor in

that year as a result of the receipt of such installment of rental over (B) the taxes and other charges that would have been payable in that year by the Lessor had such installment of rent been paid by the Lessee on the date upon which such payment is herein required to be made. To the extent that the Lessor realizes an offsetting benefit in a subsequent year, an offsetting repayment will be made in an amount which preserves the Lessor's return and does not exceed the amount paid to the Lessor under this provision.

In the event that the Tax Benefits with respect to any Unit as set forth in the first paragraph of this Section 15 increase or decrease due to an amendment to the tax law which has an effective date on or prior to the delivery date of such Unit (whether or not adopted on or prior to such delivery date) the installments of rent payable under this Lease shall be adjusted to cause the Lessor's net after-tax return (computed otherwise on the same assumptions as utilized by the Lessor in establishing the lease rate for this transaction) to remain at the same level that would have been available to the Lessor had the Tax Benefits not so increased or decreased; provided, however, that no adjustment of any installment of rent payable under the Lease shall be made to the extent that (i) any such adjustment would result in the transaction's not meeting the economic tests set forth in Revenue Procedures 75-21 and 75-28 and (ii) after such adjustment the rentals would not amortize the CSA Indebtedness and interest thereon under the RCSA.

The Lessee's and the Lessor's agreements to pay any sums which may become payable pursuant to this Section 15 shall survive the expiration or other termination of the Lease.

For purposes of this Section 15, the term "Lessor" shall include all members of any affiliated group of which the lessor is a member if consolidated, joint or combined returns are filed for such affiliated group for Federal, state or local income tax purposes.

Section 16. Interest on Overdue Rentals. Anything to the contrary herein contained notwithstanding, any nonpayment of rentals and other obligations when due hereunder shall result in the obligation on the part of the Lessee promptly to pay also an amount equal to 10-3/8% per annum of the overdue rentals and other obligations for the period of time during which they are overdue or such lesser amount as may be legally

enforceable.

Section 17. Notices. Any instruction or notice required or permitted to be given by either party hereto to the other shall be deemed to have been given when deposited in the United States mails, first-class postage prepaid, addressed as follows:

if to the Lessor, at

45 Cardinal Drive
Westfield, New Jersey 07902

Attention of Grover Connell, President,

if to the Lessee, at

2 North Charles Street
Baltimore, Maryland 21201

Attention of Senior Assistant Treasurer,

if to the Vendor, at

P. O. Box 2258
Baltimore, Maryland 21203

Attention of Corporate Trust Department,

or addressed to any such party at such other address as such party shall hereafter furnish to the other party in writing. Copies of each such notice shall be given to the Lessor and the Vendor.

Section 18. Effect and Modification of Lease. Except for the Participation Agreement, this Lease exclusively and completely states the rights of the Lessor and the Lessee with respect to the leasing of the Units and supersedes all other agreements, oral or written, with respect thereto. No variation or modification of this Lease and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized officers of the Lessor and the Lessee.

Section 19. Definitions. If and so long as this Lease is assigned to the Vendor (or any successor thereto) for collateral purposes, wherever the term "Lessor" is used

in this Lease it shall include the Vendor and any successors thereto unless the context shall otherwise require and except that the Vendor shall not be subject to any liabilities or obligations under this Lease; and the fact that the Vendor is specifically named in certain provisions shall not be construed to mean that the Vendor (and any successors thereto) is not entitled to the benefits of other provisions where only the Lessor is named or where only the Vendor, as the case may be, is named.

Section 20. Execution. This Lease may be executed in several counterparts, such counterparts together constituting but one and the same instrument, but the counterpart delivered to the Vendor shall be deemed to be the original counterpart. Although this Lease is dated as of the date first set forth above for convenience, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

Section 21. Law Governing; Severability. The terms of this Lease and all rights and obligations hereunder shall be governed by the laws of the State of Ohio; provided, however, that the parties shall be entitled to all rights conferred by Section 20c of the Interstate Commerce Act, as amended.

Any provision of this Lease which is prohibited or unenforceable in any jurisdiction, shall be, as to such jurisdiction, ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

IN WITNESS WHEREOF, the parties hereto, each pursuant to due corporate authority, have caused this instrument to be executed in their respective corporate names by duly authorized officers, and their respective corporate seals to be hereunto affixed and duly attested, all as of the date first above written.

CONNELL RICE & SUGAR CO., INC.
(Connell Leasing Company Division),

by

[Corporate Seal]

President

Attest:

Secretary

THE CHESAPEAKE AND OHIO RAILWAY
COMPANY,

[Corporate Seal]

by

L.C. Fink

Assistant Vice-President
and Treasurer

Attest;

Patricia H. Hensley
Assistant Secretary

APPROVED AS TO FORM

C.C. Kimball

GENERAL ATTORNEY

10/30/78

STATE OF NEW JERSEY,)
) ss.:
 COUNTY OF UNION,)

On this 27th day of October 1978, before me personally appeared Grover Connell, to me personally known, who, being by me duly sworn, says that he is President of CONNELL RICE & SUGAR CO., INC. (Connell Leasing Company Division), that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Natalie P. Janemann
 Notary Public

[Notarial Seal]

My Commission expires

NOTARY PUBLIC OF NEW JERSEY

My Commission Expires Nov. 28, 1982

STATE OF OHIO,)
) ss.:
 COUNTY OF CUYAHOGA,)

On this 30th day of October 1978, before me personally appeared L. C. Roig, Jr., to me personally known, who, being by me duly sworn, says that he is Assistant Vice-President and Treasurer of THE CHESAPEAKE AND OHIO RAILWAY COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that such instrument was this day signed and sealed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Clara Masuga
 Notary Public

[Notarial Seal]

My Commission expires

CLARA MASUGA, Notary Public

State of Ohio - Cuyahoga County

My Commission Expires April 21, 1979

Lease of Railroad Equipment

SCHEDULE A

Specifications of the Equipment

Quantity	AAR Mechanical	Description	Railroad Road Numbers*	Vendee's Specification	Hulk Purchase Price		Base Reconstruction Cost		Purchase Price	
	Designation				Per Unit	Total	Per Unit	Total	Per Unit	Total
40	XL	50' 50-ton Box Cars	A	91355	\$4,000	\$ 160,000	\$4,270	\$ 170,800	\$ 8,270	\$ 330,800
23	XL	50' 50-ton Box Cars	B	91355	4,000	92,000	4,270	98,210	8,270	190,210
18	XL	50' 50-ton Box Cars	C	91351	2,000	36,000	8,682	156,276	10,682	192,276
30	XM	50' 50-ton Box Cars	D	91357	3,000	90,000	4,420	132,600	7,420	222,600
30	XM	50' 50-ton Box Cars	E	91357	3,000	90,000	4,420	132,600	7,420	222,600
200	GB	52'6" 70-ton Gondola Cars	F	91371	4,000	800,000	6,103	1,220,600	10,103	2,020,600
207	HT	70-ton Open Top Hoppers	G	90002 96998	4,000	828,000	5,030	1,041,210	9,030	1,869,210
155	HT	70-ton Open Top Hoppers	H	91376	4,000	620,000	5,030	779,650	9,030	1,399,650
<u>703</u>					<u>\$2,716,000</u>		<u>\$3,731,946</u>		<u>\$6,447,946</u>	

* Each letter in the column below will be deemed to refer to the Railroad Road Numbers appearing opposite such letter as it appears in Schedule A of the RCSA.

Lease of Railroad Equipment

SCHEDULE B

Casualty Value Percentages ScheduleTable 1

<u>Rental Payment Date</u>	<u>Percentage</u>
2/15/79	96.31041
8/15/79	93.41848
2/15/80	89.49865
8/15/80	86.22169
2/15/81	81.83829
8/15/81	78.23136
2/15/82	73.47147
8/15/82	69.80327
2/15/83	64.79758
8/15/83	60.32388
2/15/84	54.95878
8/15/84	49.89784
2/15/85	44.28696
8/15/85	38.75108
2/15/86	32.77569
8/15/86	26.71590
2/15/87 (and for any storage period thereafter)	20.00000

Table 2

The percentages set forth in Table 1 of this Schedule B have been computed without regard to recapture of the Investment Tax Credit (as defined in Section 15 relating to certain tax indemnities). Consequently, the Casualty Value of any Unit suffering a Casualty Occurrence on or before the third, fifth or seventh Anniversary of the date of delivery and acceptance of such Unit shall be increased by the applicable percentage of the Purchase Price set forth below:

<u>Anniversary of Delivery and Acceptance</u>	<u>Percentage of Purchase Price</u>
Third	11.13077
Fifth	7.42055
Seventh	3.71022